

CITY OF WEST BEND, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2005

City of West Bend, Iowa

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City of West Bend, Iowa

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City of West Bend, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2004)		
Robert Klepper	Mayor	12-31-05
Joe Eoriatti	Mayor Pro Tem	12-31-05
Jeff Miller	Council Member	12-31-05
Mary Jane Hanselmen	Council Member	12-31-07
Paul Lauck	Council Member	12-31-07
Joe Montag	Council Member	12-31-07
Lisa Sewell	Clerk	Indefinite
Ardith Knecht	Treasurer	Indefinite
Donald Capotosto	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Bend's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Bend at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2005 on our consideration of the City of West Bend's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 53 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Bend's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

July 29, 2005

Basic Financial Statements

Statement of Net Assets

June 30, 2005

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 390,004	2,792,597	3,182,601
Receivables:			
Property tax:			
Delinquent	2,869	-	2,869
Succeeding year	342,500	-	342,500
Customer accounts	-	244,682	244,682
Accrued interest	253	3,194	3,447
Due from other governments	13,313	-	13,313
Due from other funds	(505,900)	505,900	-
Inventories	-	106,272	106,272
Prepaid expenses	12,008	23,376	35,384
Bond issuance costs	-	15,697	15,697
Patronage dividends	-	12,909	12,909
Cost of obtaining gas allocation	-	1,350	1,350
Restricted assets:			
Cash	-	447,492	447,492
Capital assets (net of accumulated depreciation)	427,489	4,178,717	4,606,206
Total assets	<u>682,536</u>	<u>8,332,186</u>	<u>9,014,722</u>
Liabilities			
Excess of warrants issued over bank balance	10,675	-	10,675
Accounts payable	16,565	73,949	90,514
Salaries and benefits payable	2,744	3,639	6,383
Sales tax payable	-	2,298	2,298
Deferred revenue:			
Succeeding year property tax	208,500	-	208,500
Succeeding year tax increment financing	134,000	-	134,000
Interest payable	1,342	6,735	8,077
Liabilities payable from restricted assets:			
Customer deposits	-	3,730	3,730

(continued)

Statement of Net Assets

June 30, 2005

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Liabilities (continued)			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	75,000	-	75,000
Revenue bonds/notes payable	-	95,000	95,000
Capital lease	6,675	13,353	20,028
Compensated absences	1,202	7,309	8,511
Portion due or payable after one year:			
General obligation bonds/notes	260,000	-	260,000
Revenue bonds/notes payable	-	2,004,000	2,004,000
Total liabilities	<u>716,703</u>	<u>2,210,013</u>	<u>2,926,716</u>
Net Assets			
Invested in capital assets, net of related debt	385,814	2,066,364	2,452,178
Restricted for:			
Debt service	(10,405)	-	(10,405)
Revenue bond retirement	-	72,640	72,640
Electric improvements	-	443,762	443,762
Unrestricted	<u>(409,576)</u>	<u>3,539,407</u>	<u>3,129,831</u>
Total net assets	<u>\$ (34,167)</u>	<u>6,122,173</u>	<u>6,088,006</u>

See notes to financial statements.

City of West Bend, Iowa
Statement of Activities
Year ended June 30, 2005

Functions/Programs:	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 81,389	297	13,463	-
Public works	41,796	-	69,344	-
Culture and recreation	151,410	12,225	20,518	-
Community and economic development	102,183	50	1,875	49,290
General government	37,652	-	-	-
Interest on long-term debt	27,913	-	-	-
Total governmental activities	<u>442,343</u>	<u>12,572</u>	<u>105,200</u>	<u>49,290</u>
Business type activities:				
Water	103,602	92,484	-	-
Sewer	92,353	129,854	-	-
Electric	960,825	929,681	-	-
Gas	720,263	786,440	-	-
Other nonmajor	78,101	80,511	-	-
Total business type activities	<u>1,955,144</u>	<u>2,018,970</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,397,487</u>	<u>2,031,542</u>	<u>105,200</u>	<u>49,290</u>

General Revenues:

Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Local hotel/motel tax
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues

Change in net assets
Net assets beginning of year
Net assets end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Change in Net Assets

Governmental Activities	Business Type Activities	Total
(67,629)	-	(67,629)
27,548	-	27,548
(118,667)	-	(118,667)
(50,968)	-	(50,968)
(37,652)	-	(37,652)
(27,913)	-	(27,913)
<u>(275,281)</u>	<u>-</u>	<u>(275,281)</u>
-	(11,118)	(11,118)
-	37,501	37,501
-	(31,144)	(31,144)
-	66,177	66,177
-	2,410	2,410
<u>-</u>	<u>63,826</u>	<u>63,826</u>
<u>(275,281)</u>	<u>63,826</u>	<u>(211,455)</u>
\$ 168,163	-	168,163
33,571	-	33,571
134,041	-	134,041
49,233	-	49,233
12,663	-	12,663
7,583	66,817	74,400
28,927	13,892	42,819
(240,716)	240,716	-
<u>193,465</u>	<u>321,425</u>	<u>514,890</u>
(81,816)	385,251	303,435
<u>47,649</u>	<u>5,736,922</u>	<u>5,784,571</u>
<u>\$ (34,167)</u>	<u>6,122,173</u>	<u>6,088,006</u>

City of West Bend, Iowa
Balance Sheet
Governmental Funds
June 30, 2005

Exhibit C

	<u>General</u>	<u>TIF</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Assets				
Cash	\$ 194,275	66	195,077	389,418
Receivables:				
Property tax:				
Delinquent	1,101	1,297	471	2,869
Succeeding year, including tax increment financing	144,500	134,000	64,000	342,500
Accrued interest	153	-	100	253
Due from other governments	5,058	-	8,255	13,313
Prepaid insurance	12,008	-	-	12,008
	<u>12,008</u>	<u>-</u>	<u>-</u>	<u>12,008</u>
Total assets	<u>\$ 357,095</u>	<u>135,363</u>	<u>267,903</u>	<u>760,361</u>
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	\$ -	10,675	10,675
Accounts payable	16,245	-	320	16,565
Salaries and benefits payable	2,744	-	-	2,744
Deferred revenue:				
Succeeding year property tax	144,500	-	64,000	208,500
Succeeding year tax increment financing	-	134,000	-	134,000
Total liabilities	<u>163,489</u>	<u>134,000</u>	<u>74,995</u>	<u>372,484</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	12,008	-	-	12,008
Debt service	-	-	(10,405)	(10,405)
Unreserved, reported in:				
General fund	181,598	-	-	181,598
Special revenue funds	-	1,363	203,313	204,676
Total fund balances	<u>193,606</u>	<u>1,363</u>	<u>192,908</u>	<u>387,877</u>
Total liabilities and fund balances	<u>\$ 357,095</u>	<u>135,363</u>	<u>267,903</u>	<u>760,361</u>

See notes to financial statements.

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balances (page 15) \$ 387,877

**Amounts reported for governmental activities in the
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 427,489

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 586

Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds payable	(335,000)	
Accrued interest payable	(1,342)	
Due to other funds	(505,900)	
Capital lease	(6,675)	
Compensated absences	(1,202)	(850,119)

Net assets of governmental activities (page 12) \$ (34,167)

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>TIF</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:				
Property tax	\$ 141,590	-	59,775	201,365
Tax increment financing	-	134,041	-	134,041
Other city tax	269	-	61,997	62,266
Licenses and permits	3,115	-	-	3,115
Use of money and property	6,265	-	1,319	7,584
Intergovernmental	82,754	-	69,344	152,098
Charges for service	9,943	-	-	9,943
Miscellaneous	30,831	-	-	30,831
Total revenues	<u>274,767</u>	<u>134,041</u>	<u>192,435</u>	<u>601,243</u>
Expenditures:				
Operating:				
Public safety:				
Police	41,084	-	13,361	54,445
Civil defense	3,417	-	-	3,417
Fire	18,286	-	-	18,286
Animal control	287	-	-	287
	<u>63,074</u>	<u>-</u>	<u>13,361</u>	<u>76,435</u>
Public works:				
Roadway maintenance	90,207	-	80,008	170,215
Storm sewer	60,923	-	-	60,923
Street lighting	5,692	-	-	5,692
Traffic safety	1,489	-	-	1,489
Street cleaning	303	-	-	303
	<u>158,614</u>	<u>-</u>	<u>80,008</u>	<u>238,622</u>
Culture and recreation:				
Library	57,290	-	11,722	69,012
Parks	36,689	-	241	36,930
Ice skating	3,941	-	66	4,007
Community center	2,867	-	-	2,867
Swimming pool	29,617	-	1,023	30,640
Other	-	-	2,000	2,000
	<u>130,404</u>	<u>-</u>	<u>15,052</u>	<u>145,456</u>

(continued)

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>TIF</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Community and economic development:				
Economic development	8,446	40,000	-	48,446
Housing program	51,791	-	-	51,791
Planning and zoning	1,946	-	-	1,946
	<u>62,183</u>	<u>40,000</u>	<u>-</u>	<u>102,183</u>
General government:				
Mayor/council	2,348	-	247	2,595
City clerk/treasurer	3,260	-	31	3,291
Elections	539	-	-	539
Legal	10,909	-	-	10,909
General liability insurance	19,933	-	-	19,933
	<u>36,989</u>	<u>-</u>	<u>278</u>	<u>37,267</u>
Debt service	<u>-</u>	<u>83,782</u>	<u>84,368</u>	<u>168,150</u>
Total expenditures	<u>451,264</u>	<u>123,782</u>	<u>193,067</u>	<u>768,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,497)</u>	<u>10,259</u>	<u>(632)</u>	<u>(166,870)</u>
Other financing sources (uses):				
Interfund loan proceeds	-	340,000	-	340,000
Operating transfers in	65,284	-	50,887	116,171
Operating transfers out	<u>-</u>	<u>(350,887)</u>	<u>(6,736)</u>	<u>(357,623)</u>
Total other financing sources (uses)	<u>65,284</u>	<u>(10,887)</u>	<u>44,151</u>	<u>98,548</u>
Net change in fund balances	(111,213)	(628)	43,519	(68,322)
Fund balances beginning of year	<u>304,819</u>	<u>1,991</u>	<u>149,389</u>	<u>456,199</u>
Fund balances end of year	<u>\$ 193,606</u>	<u>1,363</u>	<u>192,908</u>	<u>387,877</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 18) **\$ (68,322)**

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	214,198	
Depreciation expense	<u>(34,347)</u>	179,851

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt principal repaid	71,304	
Decrease in accrued interest	<u>237</u>	71,541

(continued)

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2005

Increase in compensated absences expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (472)

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities. 586

Interfund loans proceeds provide current financial resources in governmental funds, but issuing interfund loans increases interfund liabilities in the Statement of Net Assets. Repayment of interfund principal is an expenditure in the governmental funds, but the repayment reduces interfund liabilities in the Statement of Net Assets.

Interfund loans issued	(340,000)		
Principal repayments	75,000	(265,000)	

Change in net assets of governmental activities (page 14)		\$ (81,816)	

See notes to financial statements.

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Funds			
	Water <u>Utility</u>	Sewer <u>Utility</u>	Electric <u>Utility</u>	Gas <u>Utility</u>
Assets				
Cash	\$ 45,953	557,684	1,437,738	742,270
Accounts receivable	15,003	20,254	131,870	67,066
Interest receivable	35	129	2,678	346
Prepaid expenses	1,807	729	17,605	3,235
Inventory	9,818	245	90,706	5,503
Due from other funds	-	-	-	547,776
Restricted cash	-	-	443,762	-
Cost of obtaining gas allocation	-	-	-	1,350
Bond issuance costs	-	5,363	10,334	-
Patronage dividends receivable	-	-	12,909	-
Capital assets:				
Land	1,000	-	4,750	-
Construction in progress	-	44,505	543,946	-
Buildings and equipment	1,352,348	1,165,045	4,458,945	345,619
Less accumulated depreciation	<u>(564,524)</u>	<u>(395,654)</u>	<u>(2,506,125)</u>	<u>(271,138)</u>
Total assets	<u>861,440</u>	<u>1,398,300</u>	<u>4,649,118</u>	<u>1,442,027</u>
Liabilities				
Accounts payable	1,592	1,414	53,593	15,750
Salaries payable	195	195	1,973	1,276
Sales tax payable	-	-	-	2,298
Interest payable	-	1,795	4,940	-
Due to other funds	41,876	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Compensated absences	-	-	4,835	2,474
Bonds, notes, and loans payable	<u>-</u>	<u>514,000</u>	<u>1,591,677</u>	<u>6,676</u>
Total liabilities	<u>43,663</u>	<u>517,404</u>	<u>1,657,018</u>	<u>28,474</u>

Exhibit G

Other Nonmajor Enterprise <u>Funds</u>		<u>Total</u>	Internal Service Fund Self <u>Insurance</u>
7,334	2,790,979		2,204
10,489	244,682		-
6	3,194		-
-	23,376		-
-	106,272		-
-	547,776		-
3,730	447,492		-
-	1,350		-
-	15,697		-
-	12,909		-
-	5,750		-
-	588,451		-
-	7,321,957		-
-	(3,737,441)		-
<u>21,559</u>	<u>8,372,444</u>		<u>2,204</u>
1,600	73,949		-
-	3,639		-
-	2,298		-
-	6,735		-
-	41,876		-
3,730	3,730		-
-	7,309		-
-	2,112,353		-
<u>5,330</u>	<u>2,251,889</u>		<u>-</u>

(continued)

City of West Bend, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Net assets				
Invested in capital assets, net of related debt	787,824	299,896	909,839	67,805
Restricted for:				
Electric sinking	-	-	72,640	-
Electric improvements	-	-	443,762	-
Unrestricted:				
Reserved for improvements	29,784	-	1,287,967	-
Unrestricted, unreserved	<u>169</u>	<u>581,000</u>	<u>277,892</u>	<u>1,345,748</u>
Total net assets	<u><u>\$ 817,777</u></u>	<u><u>880,896</u></u>	<u><u>2,992,100</u></u>	<u><u>1,413,553</u></u>

See notes to financial statements.

Exhibit G

<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund Self Insurance</u>
-	2,065,364	-
-	72,640	-
-	443,762	-
-	1,317,751	-
<u>16,229</u>	<u>2,221,038</u>	<u>2,204</u>
<u><u>16,229</u></u>	<u><u>6,120,555</u></u>	<u><u>2,204</u></u>

Reconciliation of the Statement of Net Assets -
Proprietary Funds to the Statement of Net Assets

June 30, 2005

Total proprietary fund balances (page 24)	\$ 6,120,555
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The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefits plan to individual funds. The assets of the Internal Service Fund are included in proprietary activities in the Statement of Net Assets.	<u>1,618</u>
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Net assets of business type activities (page 12)	<u><u>\$ 6,122,173</u></u>
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See notes to financial statements.

City of West Bend, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2005

	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Charges for services	\$ 92,484	129,854	929,681	786,440
Miscellaneous	<u>1,292</u>	<u>40</u>	<u>9,722</u>	<u>2,837</u>
Total operating revenues	<u>93,776</u>	<u>129,894</u>	<u>939,403</u>	<u>789,277</u>
Operating expenses:				
Governmental activities:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:				
Personal services	14,975	14,975	138,247	90,890
Contractual services	610	1,787	467,723	501,763
Utilities	10,803	1,779	16,464	4,008
Repairs and maintenance	8,353	1,207	73,704	14,935
Other supplies and expenses	21,738	2,135	65,841	23,547
Depreciation	45,065	47,858	137,803	9,640
Amortization	<u>-</u>	<u>413</u>	<u>608</u>	<u>300</u>
Total operating expenses	<u>101,544</u>	<u>70,154</u>	<u>900,390</u>	<u>645,083</u>
Operating income (loss)	(7,768)	59,740	39,013	144,194
Non-operating revenues (expenses):				
Interest and dividend income	291	2,674	39,173	24,602
Motel grant	-	-	-	(75,000)
Interest expense	<u>(2,024)</u>	<u>(22,165)</u>	<u>(60,233)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,733)</u>	<u>(19,491)</u>	<u>(21,060)</u>	<u>(50,398)</u>
Net income (loss) before transfers	(9,501)	40,249	17,953	93,796
Transfers in (out)	<u>(102)</u>	<u>299,898</u>	<u>(33,246)</u>	<u>(27,901)</u>
Change in net assets	(9,603)	340,147	(15,293)	65,895
Net assets beginning of year	<u>827,380</u>	<u>540,749</u>	<u>3,007,393</u>	<u>1,347,658</u>
Net assets end of year	<u>\$ 817,777</u>	<u>880,896</u>	<u>2,992,100</u>	<u>1,413,553</u>
See notes to financial statements.				

Exhibit I

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
80,511	2,018,970	-
-	13,891	-
<u>80,511</u>	<u>2,032,861</u>	<u>-</u>
-	-	75
-	-	75
-	259,087	-
77,985	1,049,868	450
-	33,054	-
-	98,199	-
116	113,377	-
-	240,366	-
-	1,321	-
<u>78,101</u>	<u>1,795,272</u>	<u>600</u>
2,410	237,589	(600)
77	66,817	-
-	(75,000)	-
<u>-</u>	<u>(84,422)</u>	<u>-</u>
<u>77</u>	<u>(92,605)</u>	<u>-</u>
2,487	144,984	(600)
<u>-</u>	<u>238,649</u>	<u>2,804</u>
2,487	383,633	2,204
<u>13,742</u>	<u>5,736,922</u>	<u>-</u>
<u>16,229</u>	<u>6,120,555</u>	<u>2,204</u>

Reconciliation of the Statement of Revenues,
Expenses and Changes in Fund Net Assets -
Proprietary Funds to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - Total proprietary funds (page 27)	\$ 383,633
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The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.	<u>1,618</u>
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Change in net assets of business type activities (page 14)	<u><u>\$ 385,251</u></u>
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See notes to financial statements.

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	Enterprise Funds			
	Water Utility	Sewer Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 95,927	130,677	936,857	783,561
Payments to suppliers and employees	<u>(57,734)</u>	<u>(21,455)</u>	<u>(758,691)</u>	<u>(632,457)</u>
Net cash provided by (used in) operating activities	<u>38,193</u>	<u>109,222</u>	<u>178,166</u>	<u>151,104</u>
Cash flows from noncapital financing activities:				
Grants to outside entities	-	-	-	(75,000)
Transfers to other funds	(102)	(102)	(33,246)	(27,901)
Transfers from other funds	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(102)</u>	<u>299,898</u>	<u>(33,246)</u>	<u>(102,901)</u>
Cash flows from capital and related financing activities:				
Receipts (payments) from inter-fund loans	(15,976)	-	-	(249,024)
Purchases of capital assets	(2,875)	(31,112)	(461,997)	(4,665)
Principal paid on capital debt	-	(30,000)	(71,302)	(6,302)
Interest paid on capital debt	<u>(2,024)</u>	<u>(22,243)</u>	<u>(60,320)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(20,875)</u>	<u>(83,355)</u>	<u>(593,619)</u>	<u>(259,991)</u>
Cash flows from investing activities:				
Interest and dividends	<u>270</u>	<u>2,615</u>	<u>37,536</u>	<u>25,201</u>
Net cash provided by investing activities	<u>270</u>	<u>2,615</u>	<u>37,536</u>	<u>25,201</u>
Net increase (decrease) in cash and cash equivalents	17,486	328,380	(411,163)	(186,587)
Cash and cash equivalents beginning of year	<u>28,467</u>	<u>229,304</u>	<u>2,292,663</u>	<u>928,857</u>
Cash and cash equivalents end of year	<u>\$ 45,953</u>	<u>557,684</u>	<u>1,881,500</u>	<u>742,270</u>

Exhibit K

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
80,469	2,027,491	-
<u>(84,655)</u>	<u>(1,554,992)</u>	<u>(600)</u>
<u>(4,186)</u>	<u>472,499</u>	<u>(600)</u>
-	(75,000)	-
-	(61,351)	-
<u>-</u>	<u>300,000</u>	<u>2,804</u>
<u>-</u>	<u>163,649</u>	<u>2,804</u>
-	(265,000)	-
-	(500,649)	-
-	(107,604)	-
<u>-</u>	<u>(84,587)</u>	<u>-</u>
<u>-</u>	<u>(957,840)</u>	<u>-</u>
<u>74</u>	<u>65,696</u>	<u>-</u>
<u>74</u>	<u>65,696</u>	<u>-</u>
(4,112)	(255,996)	2,204
<u>15,176</u>	<u>3,494,467</u>	<u>-</u>
<u>11,064</u>	<u>3,238,471</u>	<u>2,204</u>

(continued)

City of West Bend, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	Enterprise Funds			
	Water <u>Utility</u>	Sewer <u>Utility</u>	Electric <u>Utility</u>	Gas <u>Utility</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (7,768)	59,740	39,013	144,194
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	45,065	47,858	137,803	9,640
Amortization expense	-	413	608	300
Change in assets and liabilities:				
Receivables, net	2,151	783	(2,546)	(5,716)
Consumer deposits	-	-	-	-
Prepaid expenses	(186)	(89)	753	119
Inventory	177	-	173	1,973
Accounts and other payables	(753)	1,010	1,848	(7)
Accrued expenses	(493)	(493)	514	601
Net cash provided by (used in) operating activities	<u>\$ 38,193</u>	<u>109,222</u>	<u>178,166</u>	<u>151,104</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:				
Current assets:				
Cash	\$ 45,953	557,684	1,437,738	742,270
Noncurrent assets:				
Cash	<u>-</u>	<u>-</u>	<u>443,762</u>	<u>-</u>
Cash and cash equivalents at year end	<u>\$ 45,953</u>	<u>557,684</u>	<u>1,881,500</u>	<u>742,270</u>

See notes to financial statements.

Exhibit K

Other Nonmajor Enterprise <u>Funds</u>	<u>Total</u>	Internal <u>Service Fund</u> Self <u>Insurance</u>
2,410	237,589	(600)
-	240,366	-
-	1,321	-
(42)	(5,370)	-
(1,971)	(1,971)	-
-	597	-
-	2,323	-
(4,583)	(2,485)	-
-	129	-
<u>(4,186)</u>	<u>472,499</u>	<u>(600)</u>
7,334	2,790,979	2,204
<u>3,730</u>	<u>447,492</u>	<u>-</u>
<u>11,064</u>	<u>3,238,471</u>	<u>2,204</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of West Bend is a political subdivision of the State of Iowa located in Palo Alto and Kossuth counties. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Bend provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water, sewer, electric, gas, and sanitation utilities.

The financial statements of the City of West Bend have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of West Bend has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet these criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Palo Alto County Joint E911 Service Board and Palo Alto and Kossuth County Compensation boards.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Revenues (TIF) Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the interfund loans incurred for urban renewal development projects.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Electric Fund is used to account for the operation and maintenance of the City's electric utilities.

The Gas Fund is used to account for the operation and maintenance of City's gas system.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest on investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than twelve months.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

Customer Accounts – Accounts receivable are recorded in the Enterprise Fund at the time the service is billed. Bad debt reserve of \$1,500 is netted against the balance of customer accounts.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories of materials and supplies are valued at cost using the first-in/first-out method. Inventories in the Enterprise funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and funds set aside through the City's agreement with North Iowa Municipal Electric Cooperative Association (NIMECA).

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 15,000
Equipment and vehicles	1,000
Infrastructure	20,000

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years

Bond Issuance Costs – Bond issuance costs associated with revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to

pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No.3.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2005

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,537	---	---	3,537
Construction in progress	<u>7,266</u>	---	<u>7,266</u>	---
Total capital assets not being depreciated	<u>10,803</u>	---	<u>7,266</u>	<u>3,537</u>
Capital assets being depreciated:				
Buildings	141,000	---	---	141,000
Improvements other than buildings	8,433	---	---	8,433
Machinery, equipment and vehicles	309,401	21,948	---	331,349
Infrastructure, road network	<u>50,705</u>	<u>199,516</u>	---	<u>250,221</u>
Total capital assets being depreciated	<u>509,539</u>	<u>221,464</u>	---	<u>731,003</u>
Less accumulated depreciation for:				
Buildings	132,370	3,012	---	135,382
Improvements other than buildings	843	843	---	1,686
Machinery, equipment and vehicles	137,801	23,605	---	161,406
Infrastructure, road network	<u>1,690</u>	<u>6,887</u>	---	<u>8,577</u>
Total accumulated depreciation	<u>272,704</u>	<u>34,347</u>	---	<u>307,051</u>
Total capital assets being depreciated, net	<u>236,835</u>	<u>187,117</u>	---	<u>423,952</u>
Governmental activities capital assets, net	<u>\$ 247,638</u>	<u>187,117</u>	<u>(7,266)</u>	<u>427,489</u>

Included in machinery, equipment and vehicles is equipment valued at \$12,979 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$1,298 and accumulated depreciation of \$2,596.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 5,750	---	---	5,750
Construction in progress	<u>253,955</u>	<u>334,496</u>	---	<u>588,451</u>
Total capital assets not being depreciated	<u>259,705</u>	<u>334,496</u>	---	<u>594,201</u>
Capital assets being depreciated:				
Buildings	2,897,635	---	---	2,897,635
Machinery, equipment and vehicles	575,403	86,035	---	661,438
Infrastructure, sewer, water, electric, gas networks	<u>3,682,765</u>	<u>80,117</u>	---	<u>3,762,882</u>
Total capital assets being depreciated	<u>7,155,803</u>	<u>166,152</u>	---	<u>7,321,955</u>
Less accumulated depreciation for:				
Buildings	1,520,213	82,307	---	1,602,520
Machinery, equipment and vehicles	407,583	39,013	---	446,596
Infrastructure, sewer, water, electric, gas networks	<u>1,569,279</u>	<u>119,046</u>	---	<u>1,688,325</u>
Total accumulated depreciation	<u>3,497,075</u>	<u>240,366</u>	---	<u>3,737,441</u>
Total capital assets being depreciated, net	<u>3,658,728</u>	<u>(74,214)</u>	---	<u>3,584,514</u>
Business type activities capital assets, net	<u>\$ 3,918,433</u>	<u>260,282</u>	---	<u>4,178,715</u>

Included in machinery, vehicles and vehicles is equipment valued at \$49,186 which was capitalized from a capital lease. This equipment also had current depreciation expense of \$4,919 and accumulated depreciation of \$8,198.

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

Public safety	\$ 4,407
Public works, which includes the depreciation of general infrastructure assets	20,903
Culture and recreation	8,652
General government	<u>385</u>
Total depreciation expense – governmental activities	\$ <u>34,347</u> =====

Business type activities:

Water	\$ 45,065
Sewer	47,858
Electric	137,803
Gas	<u>9,640</u>
Total depreciation expense – business type activities	\$ <u>240,366</u> =====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes:					
Corporate purpose	\$ 65,000	---	30,000	35,000	35,000
Water improvements	335,000	---	35,000	300,000	40,000
Capital lease	<u>12,979</u>	<u>---</u>	<u>6,304</u>	<u>6,675</u>	<u>6,675</u>
Total	<u>\$ 412,979</u>	<u>---</u>	<u>71,304</u>	<u>341,675</u>	<u>81,675</u>
	=====	=====	=====	=====	=====
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
Revenue bonds/notes:					
Electric	\$ 1,650,000	---	65,000	1,585,000	65,000
Sewer	544,000	---	30,000	514,000	30,000
Capital lease	<u>25,956</u>	<u>---</u>	<u>12,604</u>	<u>13,352</u>	<u>13,352</u>
Total	<u>\$ 2,219,956</u>	<u>---</u>	<u>107,604</u>	<u>2,112,352</u>	<u>108,352</u>
	=====	=====	=====	=====	=====

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

General obligation bonds/notes

Two issues of unmatured general obligation bonds/notes, totaling \$335,000, are outstanding at June 30, 2005. General obligation bonds bear interest at rates ranging from 3.60% to 5.40% and mature in varying annual amounts, ranging from \$30,000 to \$50,000, with the final maturities due in the year ending June 30, 2012.

Details of general obligation bonds/notes payable at June 30, 2005 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2005</u>
General obligation bonds/notes:						
Corporate purpose	June 1, 1996	5.25%-5.40%	June 30, 2006	30,000-35,000	\$ 250,000	\$ 35,000
Corporate purpose	April 1, 2002	3.60%-5.10%	June 30, 2012	35,000-50,000	400,000	<u>300,000</u>
Total governmental activities						<u>\$ 335,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending	<u>General Obligation</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 75,000	16,095	91,095
2007	40,000	12,525	52,525
2008	40,000	10,765	50,765
2009	40,000	8,925	48,925
2010	45,000	7,005	52,005
2011-2012	<u>95,000</u>	<u>7,350</u>	<u>102,350</u>
Total	<u>\$ 335,000</u>	<u>62,665</u>	<u>397,665</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

Revenue notes

Two issues of unmatured revenue bonds/notes, totaling \$2,099,000, are outstanding at June 30, 2005. These bonds/notes bear interest at rates of 1.60% to 4.70% and mature in varying annual amounts ranging from \$30,000 to \$135,000, with the final maturities due in the year ending June 30, 2022.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate hotel and motel tax revenue, sewer and water bond sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2005, the City was in compliance with the revenue bond/note provisions.

Details of revenue notes payable at June 30, 2005 are as follows:

Business type activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2005</u>
Revenue bonds/notes:						
Electric revenue	Feb. 1, 2004	1.60%-4.70%	June 1, 2022	65,000-135,000	\$ 1,650,000	\$ 1,585,000
Sewer revenue CW9516R and CW9136R	Dec. 1, 1998	4.19%	June 30, 2018	30,000-50,000	699,000	<u>514,000</u>
Total business type activities						<u>\$ 2,099,000</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Revenue		
	Principal	Interest	Total
2006	\$ 95,000	80,188	175,188
2007	102,000	77,589	179,589
2008	103,000	74,617	177,617
2009	105,000	71,443	176,443
2010	111,000	68,030	179,030
2011-2015	634,000	277,278	911,278
2016-2020	689,000	143,029	832,029
2021-2022	<u>260,000</u>	<u>18,440</u>	<u>278,440</u>
Total	\$ <u>2,099,000</u>	<u>810,614</u>	<u>2,909,614</u>

Other Than Bonded Debt

Capital lease purchase agreement:

The City entered into a capital lease agreement to purchase a Case wheel loader with a historical cost of \$58,935. The following is a schedule of the future minimum lease payments, including interest of 4.75% per year, and net present value of minimum lease payments under the agreements in effect at June 30, 2005.

Year Ending June 30,	
2006	\$ <u>21,126</u>
Total minimum lease payments	21,126
Less amount representing interest	<u>(1,099)</u>
Net present value of minimum lease payments	\$ <u>20,027</u>

City of West Bend, Iowa

Notes to Financial Statements

June 30, 2005

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Hotel Motel Tax	\$ 6,000
	Enterprise: Electric	32,142
	Gas	27,142
Debt Service	Special Revenue: TIF	50,887
Internal Service: Self insurance	Enterprise: Water	102
	Sewer	102
	Electric	1,104
	Gas	759
	Special Revenue: Trust and Agency	736
Enterprise: Sewer	Special Revenue: TIF	<u>300,000</u>
Total		\$ 418,974 =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2005

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Gas	Enterprise Water	\$ 41,876
	Special Revenue	
	TIF	<u>505,900</u>
Total		<u>\$ 547,776</u> =====

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(7) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90% respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07% respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$15,941, \$15,667 and \$17,181 respectively, equal to the required contributions for each year.

City of West Bend, Iowa
Notes to Financial Statements

June 30, 2005

(8) Risk Management

The City of West Bend is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction in Progress

The City of West Bend is in the process of participating in the construction of a generating plant in Council Bluffs. As of June 30, 2005, \$543,946 has been expended on this project. The remaining amount to be expended is unknown at this time.

The City of West Bend is also in the process of making improvements to its sewer and storm sewer systems. As of June 30, 2005, \$24,095 has been expended on this project. The remaining amount to be expended is unknown at this time.

(10) Deficit Fund Balance

The Debt Service Fund had a deficit balance of \$10,405 at June 30, 2005. The deficit balance was a result of interest payments being paid before property taxes were collected. This deficit will be eliminated upon receipt of property taxes.

(11) Commitments

The City has committed to a \$100,000 Economic Development loan to be paid over the next four years. This loan will be funded by tax increment funding.

The City has also committed to a sign project for \$13,725. As of June 30, 2005, there is still \$6,862 owing on this project.

Required Supplementary Information

City of West Bend, Iowa

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 201,530	-	201,530
Tax increment financing	134,688	-	134,688
Other city tax	60,955	-	60,955
Licenses and permits	3,115	-	3,115
Use of money and property	7,689	48,545	56,234
Intergovernmental	160,640	-	160,640
Charges for service	9,893	2,079,425	2,089,318
Special assessments	-	2,711	2,711
Miscellaneous	31,292	111,283	142,575
Total receipts	<u>609,802</u>	<u>2,241,964</u>	<u>2,851,766</u>
Disbursements:			
Public safety	77,009	-	77,009
Public works	240,521	-	240,521
Culture and recreation	132,228	-	132,228
Community and economic development	189,177	-	189,177
General government	38,517	-	38,517
Debt service	84,368	-	84,368
Business type activities	-	2,374,772	2,374,772
Total disbursements	<u>761,820</u>	<u>2,374,772</u>	<u>3,136,592</u>
Deficiency of receipts under disbursements	(152,018)	(132,808)	(284,826)
Other financing sources (uses), net	<u>99,284</u>	<u>(99,284)</u>	<u>-</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(52,734)	(232,092)	(284,826)
Balances beginning of year	<u>431,478</u>	<u>3,026,801</u>	<u>3,458,279</u>
Balances end of year	<u>\$ 378,744</u>	<u>2,794,709</u>	<u>3,173,453</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	Actual <u>Variance</u>
200,691	200,691	839
110,000	145,000	(10,312)
46,890	50,890	10,065
2,875	2,875	240
9,600	9,600	46,634
213,225	214,225	(53,585)
3,174,927	2,874,927	(785,609)
-	-	2,711
<u>126,215</u>	<u>137,015</u>	<u>5,560</u>
<u>3,884,423</u>	<u>3,635,223</u>	<u>(783,457)</u>
86,655	87,955	10,946
244,750	284,000	43,479
151,123	162,623	30,395
186,862	262,696	73,519
36,415	39,415	898
84,368	84,368	-
<u>3,094,250</u>	<u>2,898,416</u>	<u>523,644</u>
<u>3,884,423</u>	<u>3,819,473</u>	<u>682,881</u>
-	(184,250)	(100,576)
<u>-</u>	<u>-</u>	<u>-</u>
-	(184,250)	(100,576)
<u>2,016,759</u>	<u>2,016,759</u>	<u>1,441,520</u>
<u>2,016,759</u>	<u>1,832,509</u>	<u>1,340,944</u>

City of West Bend, Iowa

Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds			Proprietary Funds		
	Cash	Accrual	Modified	Cash	Accrual	
	<u>Basis</u>	<u>Adjust-</u>	<u>Accrual</u>	<u>Basis</u>	<u>ments</u>	<u>Accrual</u>
		<u>ments</u>	<u>Basis</u>			<u>Basis</u>
Revenues	\$ 609,802	(8,559)	601,243	2,241,964	(142,286)	2,099,678
Expenditures/expenses	<u>(761,820)</u>	<u>(6,293)</u>	<u>(768,113)</u>	<u>(2,374,772)</u>	<u>420,078</u>	<u>(1,954,694)</u>
Net	(152,018)	(14,852)	(166,870)	(132,808)	277,792	144,984
Other financing sources, net	99,284	(736)	98,548	(99,284)	337,933	238,649
Beginning fund balances/ net assets	<u>431,478</u>	<u>24,721</u>	<u>456,199</u>	<u>3,026,801</u>	<u>2,710,121</u>	<u>5,736,922</u>
Ending fund balances/net assets	<u>\$ 378,744</u>	<u>9,133</u>	<u>387,877</u>	<u>2,794,709</u>	<u>3,325,846</u>	<u>6,120,555</u>

See accompanying independent auditors report.

City of West Bend, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$249,200 and decreased budgeted disbursements by \$64,950. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of West Bend, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Assets				
Cash	\$ 52,214	29,070	97,922	15,871
Receivables:				
Property tax:				
Delinquent	-	201	-	-
Succeeding year	-	17,000	-	-
Accounts	-	-	-	-
Accrued interest	-	14	86	-
Due from other governments	-	-	4,855	3,400
Total assets	<u>\$ 52,214</u>	<u>46,285</u>	<u>102,863</u>	<u>19,271</u>
Liabilities and Fund Equity				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	-	-	-
Accounts payable	320	-	-	-
Deferred revenue:				
Succeeding year property tax	-	17,000	-	-
Total liabilities	<u>320</u>	<u>17,000</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved reported in:				
Special revenue funds	51,894	29,285	102,863	19,271
Debt service fund	-	-	-	-
Total fund equity	<u>51,894</u>	<u>29,285</u>	<u>102,863</u>	<u>19,271</u>
Total liabilities and fund equity	<u>\$ 52,214</u>	<u>46,285</u>	<u>102,863</u>	<u>19,271</u>

See accompanying independent auditor's report.

Schedule 1

<u>Debt</u> <u>Service</u>	<u>Total</u>
-	195,077
270	471
47,000	64,000
-	-
-	100
-	8,255
<u>47,270</u>	<u>267,903</u>

10,675	10,675
-	320
<u>47,000</u>	<u>64,000</u>
<u>57,675</u>	<u>74,995</u>

-	203,313
<u>(10,405)</u>	<u>(10,405)</u>
<u>(10,405)</u>	<u>192,908</u>
<u>47,270</u>	<u>267,903</u>

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/Motel Tax</u>
Revenues:				
Property tax	\$ -	26,254	-	-
Other city tax	-	50	49,233	12,663
Use of money and property	-	253	1,066	-
Intergovernmental	69,344	-	-	-
Total revenues	<u>69,344</u>	<u>26,557</u>	<u>50,299</u>	<u>12,663</u>
Expenditures:				
Operating:				
Public safety:				
Police	-	13,361	-	-
	-	13,361	-	-
Public works:				
Roadway maintenance	61,057	-	18,951	-
	<u>61,057</u>	<u>-</u>	<u>18,951</u>	<u>-</u>
Culture and recreation:				
Library	-	11,722	-	-
Parks	-	241	-	-
Ice skating	-	66	-	-
Summer pool	-	1,023	-	-
Other	-	-	-	2,000
	-	13,052	-	2,000
Community and economic development:				
Economic development	-	-	-	-
	-	-	-	-
General government:				
Mayor/council	-	247	-	-
City clerk/treasurer	-	31	-	-
	-	278	-	-
Debt service	-	-	-	-
Total expenditures	<u>61,057</u>	<u>26,691</u>	<u>18,951</u>	<u>2,000</u>
Excess (deficiency) of revenues over (under) expenditures	8,287	(134)	31,348	10,663

Schedule 2

<u>Debt Service</u>	<u>Total</u>
33,521	59,775
51	61,997
-	1,319
-	69,344
<u>33,572</u>	<u>192,435</u>
-	13,361
-	13,361
-	80,008
-	80,008
-	11,722
-	241
-	66
-	1,023
-	2,000
-	15,052
-	-
-	-
-	247
-	31
-	278
84,368	84,368
84,368	193,067
(50,796)	(632)

(continued)

City of West Bend, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue			
	<u>Road Use</u>	<u>Trust and Agency</u>	<u>Local Option Sales Tax</u>	<u>Local Hotel/ Motel Tax</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(736)	-	(6,000)
Total other financing sources (uses)	-	(736)	-	(6,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	8,287	(870)	31,348	4,663
Fund balances beginning of year	<u>43,607</u>	<u>30,155</u>	<u>71,515</u>	<u>14,608</u>
Fund balances end of year	<u>\$ 51,894</u>	<u>29,285</u>	<u>102,863</u>	<u>19,271</u>

See accompanying independent auditor's report.

Schedule 2

<u>Debt Service</u>	<u>Total</u>
50,887	50,887
-	(6,736)
<u>50,887</u>	<u>44,151</u>
91	43,519
<u>(10,496)</u>	<u>149,389</u>
<u>(10,405)</u>	<u>192,908</u>

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2005

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
Assets			
Current assets:			
Cash	\$ 3,730	7,334	11,064
Accounts receivable	-	10,489	10,489
Interest receivable	-	6	6
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>3,730</u>	<u>17,829</u>	<u>21,559</u>
Liabilities			
Current liabilities:			
Accounts payable	-	1,600	1,600
Consumer deposits	<u>3,730</u>	<u>-</u>	<u>3,730</u>
Total liabilities	<u>3,730</u>	<u>1,600</u>	<u>5,330</u>
Net assets			
Unrestricted	<u>-</u>	<u>16,229</u>	<u>16,229</u>
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>-</u>	<u>16,229</u>	<u>16,229</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 3,730</u>	<u>17,829</u>	<u>21,559</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Proprietary Funds

For the Year ended June 30, 2005

	<u>Business-Type Activities</u>		
	<u>Meter</u>		
	<u>Deposit</u>	<u>Garbage</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ -	80,511	80,511
Total operating revenues	-	80,511	80,511
Operating expenses:			
Business type activities:			
Contractual services	-	77,985	77,985
Other supplies and expenses	-	116	116
Total operating expenses	-	78,101	78,101
Operating income	-	2,410	2,410
Non-operating revenues (expenses):			
Interest and investment revenue	-	77	77
Total non-operating revenue (expenses)	-	77	77
Net income before transfers	-	2,487	2,487
Transfers (out) in	-	-	-
Change in net assets	-	2,487	2,487
Net assets beginning of year	-	13,742	13,742
Net assets end of year	\$ -	16,229	16,229

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Two Years

	<u>Modified Accrual Basis</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Property tax	\$ 201,365	\$ 193,519
Tax increment financing revenue	134,041	94,079
Other city tax	62,266	56,931
Licenses and permits	3,115	3,283
Use of money and property	7,584	5,899
Intergovernmental	152,098	238,550
Charges for service	9,943	8,478
Miscellaneous	<u>30,831</u>	<u>21,455</u>
Total	<u>\$ 601,243</u>	<u>\$ 622,194</u>
Expenditures:		
Operating:		
Public safety	\$ 76,435	\$ 91,467
Public works	238,622	178,388
Culture and recreation	145,456	131,270
Community and economic development	102,183	175,995
General government	37,267	30,803
Debt service	<u>168,150</u>	<u>87,203</u>
Total	<u>\$ 768,113</u>	<u>\$ 695,126</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Water Utility
Years ended June 30, 2005 and 2004

Schedule 6

	<u>6-30-05</u>	<u>6-30-04</u>
Operating revenues:		
Metered sales	\$ 92,484	\$ 103,132
Miscellaneous	<u>1,292</u>	<u>963</u>
Total operating revenue	<u>93,776</u>	<u>104,095</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	11,261	13,220
Payroll taxes and benefits	3,714	4,832
Utilities	10,803	12,431
Salt and supplies	18,368	18,841
Building and equipment maintenance	8,353	15,459
Insurance	2,446	2,403
Miscellaneous	<u>1,534</u>	<u>2,415</u>
	<u>56,479</u>	<u>69,601</u>
Depreciation:		
Water tower	8,918	7,845
Treatment plant	35,474	35,042
Equipment	<u>673</u>	<u>682</u>
	<u>45,065</u>	<u>43,569</u>
Total operating expenses	<u>101,544</u>	<u>113,170</u>
Operating income (loss)	(7,768)	(9,075)
Non-operating revenues (expenses):		
Interest income	291	248
Interest expense	<u>(2,024)</u>	<u>(2,655)</u>
Total non-operating revenues (expenses)	<u>(1,733)</u>	<u>(2,407)</u>
Net income (loss) before operating transfer	(9,501)	(11,482)
Interfund transfer	<u>(102)</u>	<u>-</u>
Net income (loss)	<u><u>\$ (9,603)</u></u>	<u><u>\$ (11,482)</u></u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Sewer Utility
Years ended June 30, 2005 and 2004

Schedule 7

	<u>6-30-05</u>	<u>6-30-04</u>
Operating revenues:		
Sewer rental charges	\$ 129,854	\$ 141,855
Miscellaneous	<u>40</u>	<u>40</u>
Total operating revenue	<u>129,894</u>	<u>141,895</u>
Operating expenses:		
Distribution system maintenance:		
Salaries	11,261	12,426
Payroll taxes and benefits	3,714	4,832
Utilities	1,779	1,148
Maintenance and repair	1,207	1,480
Insurance	808	578
Professional fees	1,787	1,414
Supplies	1,258	1,191
Miscellaneous	<u>482</u>	<u>413</u>
	<u>22,296</u>	<u>23,482</u>
Depreciation:		
Furniture and fixtures	197	249
Sewer plant	<u>47,661</u>	<u>47,661</u>
	<u>47,858</u>	<u>47,910</u>
Total operating expenses	<u>70,154</u>	<u>71,392</u>
Operating income	<u>59,740</u>	<u>70,503</u>
Non-operating revenues (expenses):		
Interest income	2,674	1,574
Interest expense	<u>(22,165)</u>	<u>(23,283)</u>
Total non-operating revenues (expenses)	<u>(19,491)</u>	<u>(21,709)</u>
Net income before operating transfer	40,249	48,794
Interfund transfer	<u>299,898</u>	<u>-</u>
Net income	<u>\$ 340,147</u>	<u>\$ 48,794</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2005 and 2004

Schedule 8

	<u>6-30-05</u>	<u>6-30-04</u>
Operating revenues:		
Metered sales	\$ 929,681	\$ 983,063
Miscellaneous	<u>11,870</u>	<u>20,453</u>
Total operating revenue	<u>941,551</u>	<u>1,003,516</u>
Operating expenses:		
Production:		
Salaries	32,596	32,893
Payroll taxes and benefits	11,666	11,292
Electric energy purchased	456,278	436,624
Maintenance - Plant, building and grounds	19,608	16,626
Maintenance - Engines and generators	<u>29,085</u>	<u>32,296</u>
	<u>549,233</u>	<u>529,731</u>
Distribution system maintenance:		
Salaries	20,313	20,061
Payroll taxes and benefits	6,385	6,163
Lines, poles, towers, conductors, meters, etc.	29,087	54,538
Telephone and radio	838	842
Motor vehicles	5,505	5,527
Supplies	1,055	24
Maintenance - Building	<u>11,397</u>	<u>-</u>
	<u>74,580</u>	<u>87,155</u>
Collection and accounting:		
Salaries	27,308	26,896
Payroll taxes and benefits	10,985	10,510
Office supplies	2,161	2,148
Programming	<u>2,766</u>	<u>1,668</u>
	<u>43,220</u>	<u>41,222</u>
Administrative:		
Salaries	22,331	22,596
Payroll taxes and benefits	6,663	6,400
Professional fees	8,950	2,520
Travel and meetings	1,335	1,575

(continued)

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Electric Utility
Years ended June 30, 2005 and 2004

Schedule 8

	<u>6-30-05</u>	<u>6-30-04</u>
Operating expenses (continued):		
Administrative (continued):		
Insurance	25,383	24,063
Telephone and radio	1,679	1,636
Miscellaneous taxes	7,153	1,398
Property taxes	11,738	11,508
Miscellaneous	<u>10,322</u>	<u>9,853</u>
	<u>95,554</u>	<u>81,549</u>
Depreciation:		
Buildings	685	685
Generating plant and equipment	36,675	36,936
Distribution system	68,321	66,819
Furniture and fixtures	6,937	2,355
Vehicles	<u>25,185</u>	<u>24,246</u>
	<u>137,803</u>	<u>131,041</u>
Total operating expenses	<u>900,390</u>	<u>870,698</u>
Operating income	41,161	132,818
Non-operating revenues (expenses):		
Interest income	37,025	22,916
Interest expense	(60,233)	(25,133)
Sale of equipment	<u>-</u>	<u>5,000</u>
Total non-operating revenues (expenses)	<u>(23,208)</u>	<u>2,783</u>
Net income before operating transfers	17,953	135,601
Operating transfers to governmental funds	<u>(33,246)</u>	<u>(34,225)</u>
Net income (loss)	<u>\$ (15,293)</u>	<u>\$ 101,376</u>

See accompanying independent auditor's report.

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Gas Utility
Years ended June 30, 2005 and 2004

Schedule 9

	<u>6-30-05</u>	<u>6-30-04</u>
Operating revenues:		
Metered sales	\$ 786,440	\$ 700,139
Miscellaneous	<u>2,837</u>	<u>664</u>
Total operating revenue	<u>789,277</u>	<u>700,803</u>
Operating expenses:		
Production:		
Cost of gas purchased	<u>490,885</u>	<u>452,884</u>
Distribution system maintenance:		
Salaries	19,832	21,255
Payroll taxes and benefits	6,309	6,142
Utilities	4,782	5,003
Meters, mains, valves	4,871	1,099
Equipment and building repairs	14,441	1,434
Miscellaneous	<u>2,458</u>	<u>3,038</u>
	<u>52,693</u>	<u>37,971</u>
Collection and accounting:		
Salaries	27,307	26,896
Payroll taxes and benefits	11,471	11,212
Office supplies	2,097	2,519
Professional fees	<u>2,766</u>	<u>1,668</u>
	<u>43,641</u>	<u>42,295</u>
Administrative:		
Salaries	19,220	19,411
Payroll taxes and benefits	6,751	6,008
Insurance	6,183	8,434
Professional fees	4,263	3,792
Telephone	1,679	1,636
Meetings and travel	1,959	2,348
Amortization and gas allocating costs	300	300
Dues	2,214	2,261
Miscellaneous	<u>5,655</u>	<u>3,654</u>
	<u>48,224</u>	<u>47,844</u>

(continued)

City of West Bend, Iowa
Comparative Schedules of Revenues and Expenses
Gas Utility
Years ended June 30, 2005 and 2004

Schedule 9

	<u>6-30-05</u>	<u>6-30-04</u>
Operating expenses (continued):		
Depreciation:		
Buildings	555	555
Distribution systems	3,208	3,064
Furniture and fixtures	1,949	4,992
Vehicles	<u>3,928</u>	<u>2,197</u>
	<u>9,640</u>	<u>10,808</u>
 Total operating expenses	 <u>645,083</u>	 <u>591,802</u>
 Operating income	 144,194	 109,001
 Non-operating revenues (expenses):		
Interest income	24,602	16,846
Motel grant	<u>(75,000)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(50,398)</u>	<u>16,846</u>
 Net income before operating transfers	 93,796	 125,847
 Operating transfers to governmental funds	 <u>(27,901)</u>	 <u>(29,225)</u>
 Net income	 <u>\$ 65,895</u>	 <u>\$ 96,622</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Bend, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Bend's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Bend's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Bend and other parties to whom the City of West Bend may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Bend during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

July 29, 2005

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.
- II-C-05 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of West Bend, Iowa

Schedule of Findings

Year ended June 30, 2005

II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-05 Financial Condition – The Debt Service Fund had a deficit balance at June 30, 2005 of \$10,405.

Recommendation – The City should review this account balance.

Response – The first interest payment was paid before any property taxes were levied. This fund will be in a deficit position until the final year of the bond issue when the property taxes levied will balance out the account.

Conclusion – Response accepted.

II-J-05 Revenue Bonds/Notes – The provisions of the resolutions for the issuance of the City's revenue bonds/notes were complied with.